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C O N F I D E N T I A L SECTION 01 OF 07 TEGUCIGALPA 000489

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SUBJECT: HONDURAN POLITICAL CRISIS UPDATE AND PERSPECTIVE

REF: A. TEGUCIGALPA 438

[B](#). SECSTATE 61160

[C](#). TEGUCIGALPA 462

[D](#). TEGUCIGALPA 474

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Classified By: Ambassador Hugo Llorens for reasons 1.4 (b & d).

[1](#)1. (C) Summary: Honduras may be racing towards a political train wreck that could threaten its 28 year old democracy. The crisis has been caused by President Manuel "Mel" Zelaya's reckless drive to hold a referendum (Fourth Urn) in the November general elections on whether to convene a constituent assembly to reform the constitution. Zelaya and his allies advocate radical reform of the political system and replacement of "representative democracy" with a "participatory" version modeled on President Correa's model in Ecuador. Although influenced by a coterie of left-wing advisors, and his Venezuelan and Cuban friends, Zelaya is more opportunist than ideologue. At the end of his term, Zelaya's need to remain the chief political protagonist on the Honduran stage may be the strongest driving force propelling Honduras towards a crisis. Zelaya's populist words and measures (including a hefty 60 percent hike in the minimum wage) have buoyed his approval ratings. Nevertheless, he retains very high negatives and is disliked and distrusted by the business community, the middle class, most of the media, the Church and evangelicals. He is institutionally weak, retaining little support in Congress, the courts, or within his own Liberal Party. Indeed, his efforts to manipulate the military have backfired and alienated much of the officer corps. The most pressing issue in the current crisis is Zelaya's plan to hold a poll on June 28 to canvass support for the Fourth Urn in defiance of a court decision that such a poll is illegal. Zelaya's order to the military to provide the logistics for the poll has placed the officer corps in a dilemma between loyalty to their Commander in Chief and disobeying the law. Assuming

the poll can be managed, a constitutional showdown is brewing in the July-September time frame when Congress makes a final ruling on whether to approve Zelaya's Fourth Urn proposal, deny it outright as illegal and unconstitutional, or allow for some variant of a plebiscite. In the event Congress denies the Fourth Urn, or approves a variant unacceptable to Zelaya, it remains to be seen whether he will accept the result (putting an end to the crisis) or plunge the nation into a constitutional crisis by confronting Congress. We will remain actively engaged at all levels in support of Honduran democracy, while encouraging a peaceful, legal, constitutional and consensual solution. We will also work to ensure the holding of free and fair elections on November 29, and the smooth transfer of power on January 27, 2010.

Charting a Populist Course

12. (C) Honduras may be heading for a major political train wreck that potentially threatens its 28 year old democratic transition and the constitutional order. The chief catalyst of the crisis has been the increasingly aggressive campaign being waged by President Manuel "Mel" Zelaya, in his last year in office, on behalf of a referendum (the Fourth Urn) in the upcoming general elections scheduled for November 29 on whether to convene a constituent assembly to reform the Honduran constitution. On substance, Zelaya has been a mediocre president at best; with few tangible policy successes, while doing little to confront Honduras' long term problems (e.g., poverty, corruption and crime). However, he has sought to gain by taking a consistently populist approach and his erratic actions and statements have polarized the nation and threatened to divide the society along ideological and class lines. He successfully laid the groundwork for his

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Fourth Urn effort early this year by implementing a series of populist measures, including a 60 percent hike in the minimum wage. The wage hike was stiffly opposed by the business community who feared its adverse impact at a time when the Honduran economy was already being buffeted by the global economic crisis. While the measure has had negative effects on economic activity and resulted in increased unemployment and investment, it has been broadly supported by working class Hondurans. Zelaya has used the minimum wage issue to position himself as the champion of workers and campesinos, and served as an effective weapon to unleash a rhetorical assault against the Honduran upper class, or as he calls them, "the power groups." Zelaya's increasingly populist approach has helped resurrect his seemingly failed Presidency, at least in terms of public support, which currently hovers in the 55 percent range. Conversely, Zelaya's negatives are at an all-time high, with nearly everyone else virulently opposed to his rule.

The Call for Participative Democracy

13. (C) Having galvanized his base in the first quarter, in April Zelaya launched a hazy but emotive public call for a major radical transformation of Honduran society. Zelaya argued that the existing constitution, enacted in 1983, served the status quo interests of the oligarchy and capitalist class and acted as a straight jacket against serious reform of society and the political system. Zelaya made the case for convening a constituent assembly to rewrite the existing constitution and adopt necessary and radical reforms to convert what he labeled a failed "representative democracy" with a "participative" democratic alternative akin to the Correa model in Ecuador. In his vague discourse on the specifics, Zelaya has spoken of popular control of the nation's natural resources, the strengthening of the people's right to access to quality education and health care, and the inclusion of annual referenda including a Bolivarian version of the "recall" referendum where the citizenry can vote out a government in the middle of its term in office. Zelaya

publicly proposed to include a Fourth Urn on Election Day (November 29), the other three being for President, Congress and Mayors, as a means to consult the people on whether they support the convening of a constituent assembly to radically reform the constitution along the lines he proposes. Zelaya used the annual May Day festivities to formally launch his Fourth Urn campaign bringing 5,000-10,000 of his labor union, campesino and government worker supporters in a well-funded and organized march and rally. Nevertheless, while he has succeeded in creating a certain level of popular effervescence, the modest size and relatively lack of enthusiasm of the "paid" crowds the government has assembled so far suggests no/no signs that there is a groundswell of popular support for his call for radical change. In fact, although available polling shows 55-75 percent popular support for the Fourth Urn (in the sense that there is broad appeal for the concept of being consulted), 90 percent of those polled oppose any attempt by Zelaya to stay beyond his constitutionally-mandated term in office.

What does Mel Really Want?

¶4. (C) Zelaya's Fourth Urn initiative has alarmed large segments of Honduran society to include the political establishment, the business community and the urban middle classes. Although Zelaya has publicly insisted that he supports the coming elections and will turn over power to the newly-elected President on January 27, 2010, many of his detractors believe he will use the Fourth Urn to create political divisions, generate chaos and precipitate a

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constitutional crisis, which may open the door for him to stay in power. Many say Zelaya will leave office, but believe he wants to retain his future political viability by negotiating a consensus agreement that would result in reform of the current constitution to allow former Presidents to run for a second "non-consecutive" term in office. Cynically, others see the Fourth Urn as a mere negotiating tool for Zelaya to trade in return for immunity guarantees for himself and his family from prosecution for corruption, or by legal action taken by the many political enemies he has made in his 42 months in office. An opportunist, we believe all of these options are on Zelaya's scope.

¶5. (C) Zelaya is an excellent tactician, and a skilled political animal blessed with a keen empathy and sensibility for people's needs. Although he lacks a strong intellectual and ideological framework, or a master plan for achieving his political goals, he is driven by a strong craving for power, influence and recognition. In a primal way, Zelaya is finding it very difficult to accept his lame duck status. Zelaya's incapacity to let go and his deep need to remain the chief political protagonist on the Honduran stage, may be the strongest driving force propelling Honduras towards a crisis. The fact that Zelaya is driven by personality needs instead of ideology means that not only can he be manipulated by those that seek to establish a Chavez-style government, but also that he can be manipulated by us. By playing to his ego and to his respect for the United States, we have, over the past ten months, been able to move him to our side on some key issues confronting the country. When Zelaya initially refused to accept the Ambassador's credentials last September, in supposed support of President Morales, we were able to get him to walk back from that action within 24 hours. When he sought to push back last November's primary by three months, we convinced him to keep the delay to two weeks. Several months later when he threatened a constitutional crisis over the selection of a new Supreme Court, we convinced him to back down. When Foreign Minister Rodas invited a senior Iranian official to the country, the Ambassador convinced Zelaya to cancel the visit at the last minute. Similarly, we moved him to our side on the selection of a new Attorney General and walked him back from a visceral attack against the U.S. over

Hondutel corruption charges issued by the U.S. Department of Justice. Our objective this time is to again ensure that Zelaya sees reason and accepts a face saving deal that allows him to walk away.

An Institutionally Weak President

¶6. (C) Fortunately, while Zelaya has a significant level of popular support, particularly for a President in his final year in office, he is an institutionally weak head of state. For example, he has little influence over the affairs of his own Liberal Party and has antagonistic relationships with both the National Congress and fellow Liberal President Roberto Micheletti, and Liberal Party Presidential candidate Elvin Santos. Amongst the other political parties, Zelaya is rejected by the overwhelming mass of right-of-center National Party supporters (although National Party candidate Pepe Lobo supports some version of a Fourth Urn), and adherents of the other smaller centrist parties including the Christian Democrats and the PINU. It is only with the small far left parties of the Democratic Unity and the Popular Bloc, that Zelaya has an organized political following. Zelaya has also little influence over the Supreme Court and a distant and distrustful relationship with Supreme Court President Jorge Alberto Rivera Avila, who could emerge as a critical player in the constitutional deliberations on the Fourth Urn. Zelaya is anathema to the

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business community, the professional associations (legal, medical, and accountants), most of the establishment media, the Catholic Church (including its powerful and revered Cardinal Andres Rodriguez), and the large and rapidly growing Evangelical community. Zelaya's core base lies in the labor unions, teachers, campesino groups, and with some government bureaucrats.

Who Influences Mel

¶7. (C) Over the past three years Zelaya has consistently moved closer to the left, evidenced by his closer alignment with Venezuela, Cuba and the other ALBA countries. Nevertheless, his cabinet is a centrist one. The result is that on most day-to-day issues, including trade, investment, law enforcement, intelligence and military matters, our bilateral relations remain close and cooperative. Zelaya has a good working relationship with the U.S. Ambassador and they maintain a cooperative dialogue on most issues on our bilateral scope. The Ambassador is also able to openly discuss sensitive matters such as ALBA, Cuba and the OAS, the Fourth Urn, and Iran. Zelaya avoids direct criticisms of the U.S. and says that despite differences the U.S. remains his strategic partner. On a political level, Zelaya has over the past three years become increasingly influenced by a far left group of advisors, the Patricios, named after Foreign Minister Patricia Rodas, a committed Chavista. The Patricios include Vice President Tito Mejia, Minister to the Presidency Enrique Flores Lanza, and National Bank Commission President Milton Jimenez. In his inner circle, the remaining moderates are Private Secretary Enrique Reina and Telephone Commission President Raul Valladares. We also have source information that Zelaya seeks the counsel of the Cuban Ambassador (particularly on the Fourth Urn), Venezuelan President Hugo Chavez, Cuban President Raul Castro, and Ecuadorian President Correa. Nevertheless, he is also on very friendly terms with several center-right political leaders, including Colombian President Alvaro Uribe and former Salvadoran President Saca.

Seducing the Generals

¶8. (C) Zelaya and his advisors have heavily courted and manipulated the Honduran military and sought to involve the officer corps in their political machinations. For example,

Zelaya's made a controversial decision in April to transfer \$12.5 million to the Honduran military to direct the building of an international civilian airport at Palmerola. The decision was highly questionable since it excluded the Ministry of Public Works -- the legally constituted entity that should have been given responsibility for the project. Zelaya has also ordered the military to provide the logistics for his controversial plan to hold a poll to canvass public support of the Fourth Urn. Zelaya's decision was designed to make the Honduran military accomplices to a potentially illegal action. The military's dilemma is between faithfully fulfilling the orders of their civilian leader and commander in chief, or being involved in support of a poll that has been deemed illegal by an Administrative Court judge. On the positive side, the Honduran military has over the past two decades emerged as one of the nation's most effective and respected institutions. The military is a highly professional and capable force, respectful of the rule of law and democracy. In a paradoxical way, Zelaya's manipulation of the military is backfiring and is creating great resentment and enmity in the officer corps against himself and other senior members of his government.

What's Next?

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19. (C) Zelaya's next move in this political poker game involves his plan to carry out a poll on June 28 to canvass public support for the Fourth Urn. The poll has become a legally controversial decision. Last month, the Attorney General's office filed a case in a Federal Administrative court challenging the legality of the poll on the grounds that the entity tasked with conducting the poll, the National Statistics Institute (INE), cannot be involved in activities that are political in nature. Two weeks ago, the Administrative Court judge ruled in favor of the Attorney General and abrogated the GOH decree authorizing the poll. The judge instructed all government agencies to suspend all publicity and logistical activities related to the poll. In open defiance of the court's decision, Zelaya convened a press conference, along with the Minister of Defense and Armed Forces Chief General Vasquez, and said that he would press on with the poll despite the court order. Zelaya stated that he had ordered the Armed Forces to provide the logistics to carry out the poll. Then on June 16, an appellate court ruled in favor of the lower court's judgment, placing greater pressure on the political system, with Zelaya continuing to push ahead on the poll and opponents boosted by the ruling.

110. (C) Zelaya's order to the military to support an activity that has been ruled as illegal has convulsed the Honduran Armed Forces into its most serious crisis since the nation's return to democratic rule 28 years ago. The military high command and the officer corps has been torn between loyally carrying out the orders of the President, their civilian Commander-in-Chief (General-in-Chief), or adhering to the law as established by the judge's order. The Armed Forces Legal Advisors have deliberated on the manner and reported to the service chiefs that carrying out Zelaya's order risks being in violation of the law and the constitution. The military has responded by engaging in extensive consultations within the institution and with political leaders and civil society representatives to determine a legal way out of this dilemma. Some officers have threatened to refuse to comply with the President's order (which would likely result in the service chiefs being fired), while others have privately called on the military to remove the President. While we do not believe the military would move against President Zelaya at this time, in our extensive contacts with the military we have warned them that under no/no circumstances would the U.S. support or countenance any/any action taken against President Zelaya.

¶11. (C) Moving ahead with the poll in defiance of the court's ruling could result in a constitutional crisis. Should the Supreme Court back the appellate court ruling, Zelaya will be in direct confrontation with one of the three branches of government. It is likely that the Congress would support the court. If Zelaya went ahead and held the poll despite the opposition, he and his supporters would hope that they could get a sufficient large turnout -- more votes than those garnered by the two leading candidates in the November primaries -- to give the exercise credibility and claim that the results give them a clear popular mandate in favor of the Fourth Urn. As of this writing, negotiations continue between Zelaya and the poll opponents on possible administrative, legislative or judicial solutions. One possible solution being considered, is to reword the poll so that it does not call directly for a constituent assembly. If this happens, opponents may drop their objections and the Supreme Court could decide that the re-worded poll was not illegal.

The Set-Piece Battle:

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The National Congress and the Fourth Urn

¶12. (C) Whatever the results of the poll fight, we expect President Zelaya to prepare a legislative proposal for a Fourth Urn to be considered by the National Congress. The Zelaya proposal will likely ask the Honduran people to consider the creation of a constituent assembly, to be convened some time in 2010, with the task of enacting major reform of the Honduran constitution. (Note: Zelaya and his advisors have insisted that the President will hand over power on January 27, 2010 to the newly-elected President, and it will be the new Administration and the new President who will be responsible for creating the constituent assembly. The concern many have is that the government proposed constituent assembly, if convened at some future date, would assume extraordinary powers, and could disband the National Congress and the Supreme Court and call for new elections, elections that some fear would be manipulated to make sure Zelaya would win. End Note)

¶13. (C) At this stage, the major constitutional showdown will likely come in the July-September time frame when the National Congress makes a final ruling on whether to approve Zelaya's Fourth Urn proposal (requires two thirds vote), deny it outright as illegal and unconstitutional, or allow for some variant of a plebiscite or referendum that would be an acceptable consensus decision of all parties. In the event the National Congress denies the Fourth Urn, or approves a variant unacceptable to Zelaya, it remains to be seen whether he will accept the result (putting an end to the crisis) or choose to confront the National Congress in what would be a direct clash between the two branches of government with the National Congress likely being supported by the Supreme Court. Zelaya has told the Ambassador that he would accept a final decision by the National Congress as the constitutionally sanctioned entity to make a final ruling on this matter. However he has not precluded that such a decision could trigger demonstrations and social conflict; although he is careful to say that he would not condone violence of any kind.

¶14. (C) In a worse case, a clash between the executive and the legislative branches could potentially lead to the breaking of the constitutional order, and result in a number of crisis scenarios. One possible nightmare scenario would have Zelaya claiming that the National Congress has defied the will of the people. In this case, Zelaya would rally his core base of supporters in the labor and campesino movements to protest against the National Congress decision. Potentially Zelaya could use any violence and unrest as an excuse to seek military and police support to restore order

and declare a state of exception. At this point we do not believe the military would support any action that would brazenly violate the rule of law and the constitution. Under these circumstances, any direct challenge by Zelaya and his supporters against the National Congress and the Supreme Court could result in Congress voting to impeach Zelaya. Under such circumstances, the National Congress would request the Honduran military and the police forces to enforce the decision. In the absence of a legal Vice President (due to the resignation of Vice President Elvin Santos in December), Congress President Micheletti would assume the presidency.

¶15. (C) The fact is we have no hard intelligence suggesting any consideration by Zelaya or any members of his government to usurp democracy and suspend constitutional rule, although there are rumors of Cuban and Venezuelan advisors providing close support and advice to Zelaya. While we cannot preclude any result, we do believe that Honduran democratic institutions, while under stress, are sufficiently solid to

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survive the current crisis, organize free and fair elections and result in a peaceful transfer of power. One of the major factors aggravating the crisis has been the breakdown in the dialogue between the key political actors. Zelaya's private request that the Ambassador encourage a dialogue, also welcomed by his political opposition, provides an opportunity to attempt to broker a deal that may be acceptable to all sides (Ref A and B). The elements of a deal could include the holding of some plebiscite or referendum (whether this year or next) that would consult the Honduran people on the legitimate issue of constitutional reform, but conducted in a manner that would not threaten the legitimacy of the newly-elected government or the political stability of the nation. It is possible that under such a face saving agreement, President Zelaya would seek some security guarantees for himself and his family against wanton prosecution.

¶16. (C) Comment: Obviously, these are issues that fundamentally the Hondurans themselves will need to settle. The U.S. position and focus will be to encourage a political consensus and agreement that is fully consistent with Honduran law and faithful to its constitution. We will continue to insist in our discussion with all key players in the government and opposition that you cannot violate the current constitution in order to reform it. We will remain actively engaged at all levels in support of Honduran democracy, encouraging a peaceful, legal, constitutional and consensual agreement to the political crisis, ensure the holding of free and fair election November 29, and the smooth transfer of power on January 27, 2010. Our long-term objective is that out of this messy and complicated crisis, Honduran democracy will come out the stronger and healthier.
LLORENS